Table (8)

Future Office Building Delivery

Downtown Austin

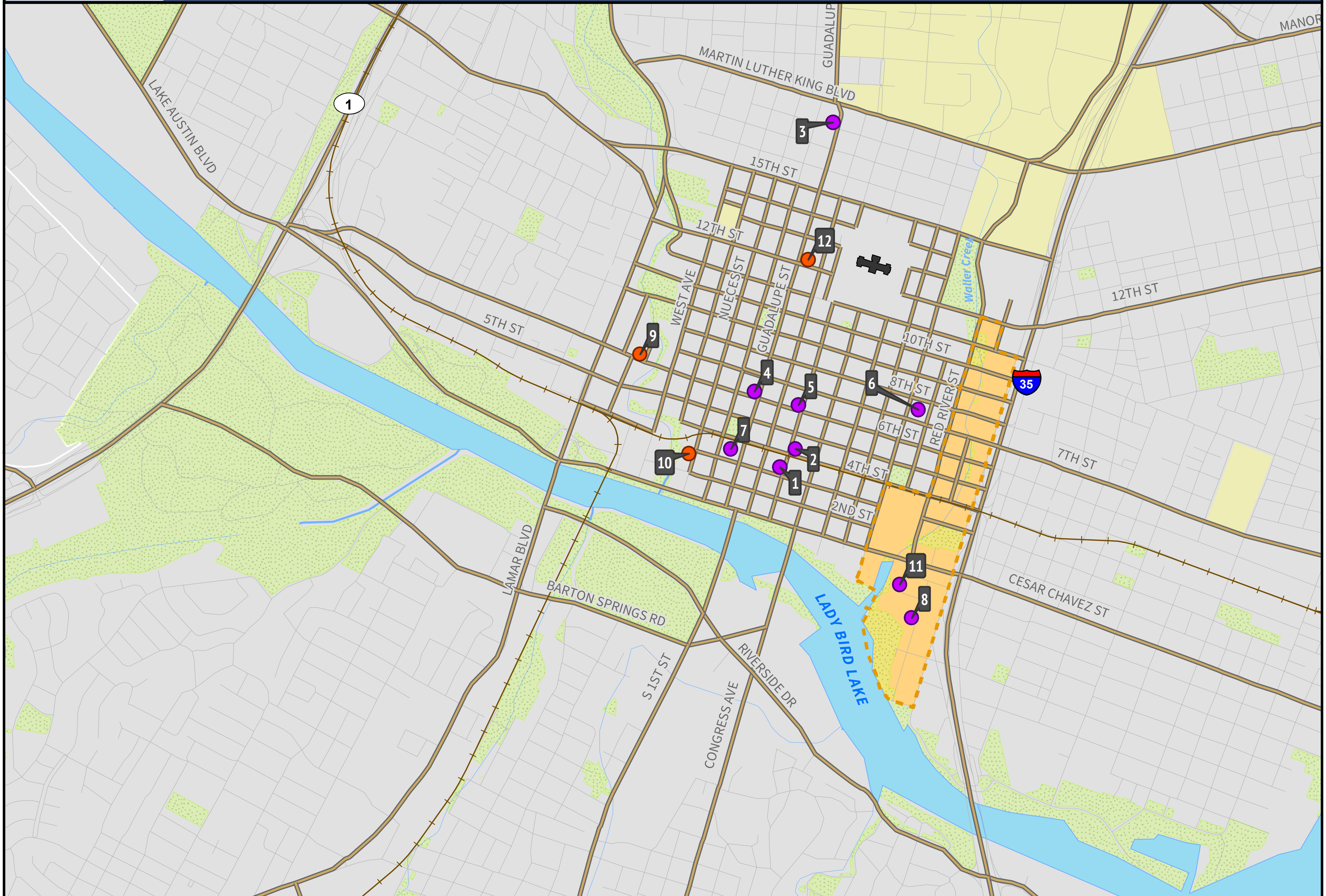
Map No.	Name	Sq.Ft.	*2017*	*2018*	*2019*	*2020*	*2021*	*Future*
1	300 Colorado	302,000	.....	.....	.....	302,000	.....	.....
2	405 Colorado St	196,000	.....	.....	.....	.....	.....	196,000
3	410 Uptown	186,957	.....	.....	.....	.....	.....	186,957
4	600 Guadalupe	570,000	.....	.....	.....	.....	570,000	.....
5	Block 71	665,000	.....	.....	.....	.....	.....	665,000
6	Block 87	182,328	.....	.....	.....	.....	.....	182,328
7	Courthouse Block	600,000	.....	.....	.....	.....	.....	600,000
8	Rainey Gateway	50,000	.....	.....	.....	.....	.....	50,000
9	Shoal Creek Walk	212,500	212,500	.....	.....	.....	.....	.....
10	Third+Shoal	345,000	.....	345,000	.....	.....	.....	.....
11	Waller Center	300,000	.....	.....	.....	.....	.....	300,000
12	Westview (rehab)	100,087	.....	100,087	.....	.....	.....	.....
	Total Sq. Ft.	3,709,872	212,500	445,087	0	302,000	570,000	2,180,285

Source: Capitol Market Research, Developer Interviews, April 2018 compsite off_cbd.xls

CAPITOL MARKET RESEARCH

Figure (4)

Downtown Austin: *Planned Multi-Tenant Office Buildings*



Complete/Construction

58

Planned

Date: April 2018

Path: C:\GIS\Projects\2018\WallerCreek\planned_off.mxd

Office Space Demand

Total employment in the Austin area is expected to grow by more than 21.9% in the next 10 years with professional and business services accounting for 26.7% of the increase, followed by leisure and hospitality with 16.1% and education and health services with 13.9%. Due to the evolving nature of the industry mix, in order to accurately reflect the number of office jobs created, it is important to examine the types of jobs being created by occupational category. Office type occupations are broadly defined as all white-collar occupations minus the category of sales workers. Included in this classification are most professional, managerial and clerical categories as defined by the US Bureau of Census. There are, however, a number of occupations that do not occupy office space and must therefore be deleted to accurately reflect the demand for office space. Among the deleted categories are artists, musicians, pharmacists and elementary school teachers. Other categories may be partially deleted based on empirical evidence and judgment based on local market knowledge.

Once the number of office jobs by industry group has been determined, it is then necessary to estimate the number of jobs that are located in office buildings rather than in industrial warehouse space or in an office attached to a manufacturing facility. This is accomplished by developing a matrix of office occupations by major industry group and including only those jobs that are likely to be located in freestanding office buildings.

The final step is determining the proportion of office demand that is likely to be absorbed in multi-tenant office buildings. In recent years a significant percentage of office demand has been accommodated in build-to-suit office buildings like State Farm Insurance (on RM 620), Austin Cable Vision and National Instruments (north MoPac) and GSD&M and Whole Foods (located downtown). It is likely that this trend will shift toward the multi-tenant market as a substantial amount of new office space is now available, and the desire to move rapidly into already completed and relatively affordable space drives the decision-making in many companies. Based on the Travis Central Appraisal District (TCAD) records, approximately 67% of all large office buildings are leased.

As a part of this office study, Capitol Market Research obtained from the Texas Workforce Commission an occupational breakdown of workers for each major industry group. CMR staff then reviewed each occupational category and assigned it an office percentage based on the likely location of the worker within each industry class. The results of this classification analysis indicate that currently 41.7% of all workers in the Austin area are located in office space, however, the estimates by industry group range from a low of 4% in Hospitality to 100% in Finance.

By using the employment forecast shown in Table (1) and calculating office employment through 2025, office employment is expected to increase by approximately 133,026 workers between 2015 and 2025. Assuming an average ratio of 225 sq. ft. per employee, this employment increase should result in a demand for 29.9 million sq. ft. of office space or an average of about 2.4 million square feet annually from 2015 to 2025. After a majority of the existing vacant space is absorbed, absorption will occur in new

buildings that will be a mix of private and public, owner occupied buildings and multi-tenant lease space, with the multi-tenant space accounting for approximately 67% of the total, shown in Table (9) below.

Table (9)

Office Employment Growth

Austin-Round Rock MSA

Year	Total Wage & Salary Emp.	Percent Office Employment	Office Employment	Annual Change	Office Space Absorption	Multi-Tenant Space Absorption
2018	1,067,600	41.6%	444,331	11,907	2,679,022	1,794,945
2019	1,095,000	41.5%	453,881	9,550	2,148,833	1,439,718
2020	1,114,400	41.3%	460,499	6,618	1,489,003	997,632
2021	1,131,000	41.2%	466,147	5,648	1,270,692	851,363
2022	1,157,600	41.1%	476,021	9,875	2,221,841	1,488,634
2023	1,179,500	41.1%	484,246	8,225	1,850,612	1,239,910
2024	1,201,100	41.0%	492,525	8,278	1,862,600	1,247,942
2025	1,221,700	41.0%	500,443	7,918	1,781,640	1,193,699
2026	1,240,800	40.9%	507,917	7,474	1,681,710	1,126,745
2027	1,259,800	40.9%	515,414	7,496	1,686,674	1,130,071
2028	1,285,173	40.8%	524,554	9,141	2,056,681	1,377,976
2029	1,311,058	40.7%	533,854	9,300	2,092,485	1,401,965
2030	1,337,464	40.6%	543,316	9,462	2,128,897	1,426,361
2031	1,364,401	40.5%	552,942	9,626	2,165,926	1,451,171
2032	1,391,881	40.4%	562,736	9,794	2,203,584	1,476,401
2033	1,419,915	40.3%	572,700	9,964	2,241,880	1,502,059
2034	1,448,513	40.2%	582,837	10,137	2,280,824	1,528,152
2035	1,477,687	40.1%	593,150	10,313	2,320,428	1,554,687
2036	1,507,449	40.0%	603,642	10,492	2,360,702	1,581,671
2037	1,537,810	39.9%	614,316	10,674	2,401,657	1,609,110
2038	1,568,783	39.9%	625,175	10,859	2,443,305	1,637,014
2039	1,600,380	39.8%	636,223	11,047	2,485,655	1,665,389
2040	1,632,613	39.7%	647,461	11,239	2,528,721	1,694,243
Total				215,037	48,383,372	32,416,859

Source: Employment Forecast from Table (1) *empgro_Austin_2018.xls*

Note: Office Employment is estimated to range from 42.0% to 40.9% of Total Employment, based on CMR occupation survey
Employment to space ratio estimated to be 225 sq. ft. per person
Multi-tenant space estimated to be 67% of the total demand

Market Area and Subject Absorption Forecast

Since 2010, the office market in the Downtown Austin market area has experienced a dramatic improvement from the negative absorption and stagnant rent growth experienced because of the economic downturn in 2009. The recession effectively curtailed any short term plans for development, but the market is now experiencing a dramatic resurgence, with over 1.8 million square feet of Class "A" office delivered in the past five years, and 445,087 currently under construction.

The downtown market is currently 89.8% occupied, and as noted earlier there are very few large blocks of space available for lease. Due to the continued high occupancy rates, most of the future absorption will take place in buildings that are planned for completion over the next few years. CMR has estimated that a proportionate share of absorption will take place in the Downtown Austin market area from 2018 through 2040 based on the 21.0% of the historical capture rate experienced in the market area from 2000 through 2017. Based on these assumptions, and the planned site inventory and future construction schedule previously discussed, an absorption and occupancy forecast was developed and is shown in Table (10) on the following page.

Table (10)

Office Absorption and Occupancy Forecast

Downtown Austin

Year	Net Rentable Area	Additions (Sq.Ft.)	Sq.Ft Available	Percent Occupied	Absorption (Sq.Ft.)
2005	8,419,431	0	1,833,123	78.2%	(32,996)
2006	8,402,676	0	1,490,342	82.3%	312,769
2007	8,179,829	27,939	1,162,312	85.8%	294,017
2008	8,254,271	75,000	1,088,402	86.8%	149,077
2009	8,436,767	202,000	1,549,011	81.6%	(449,975)
2010	8,441,607	0	1,071,438	87.3%	467,763
2011	8,516,361	54,684	1,244,432	85.4%	78,299
2012	8,527,208	0	942,321	88.9%	304,046
2013	8,348,915	17,540	1,035,649	87.6%	(94,361)
2014	9,009,220	555,097	675,751	92.5%	988,652
2015	9,295,205	331,685	585,709	93.7%	417,652
2016	9,498,497	202,592	541,230	94.3%	247,771
2017	10,165,393	741,509	1,036,209	89.8%	380,339
2018	10,610,480	445,087	1,103,885	89.6%	377,411
2019	10,610,480	0	801,165	92.4%	302,720
2020	10,912,480	302,000	591,400	94.6%	511,765
2021	11,482,480	570,000	982,390	91.4%	179,010
2022	11,482,480	0	669,385	94.2%	313,005
2023	11,743,480	261,000	669,677	94.3%	260,708
2024	12,005,480	262,000	669,281	94.4%	262,396
2025	12,256,480	251,000	669,290	94.5%	250,991
2026	12,493,480	237,000	669,377	94.6%	236,913
2027	12,731,480	238,000	669,764	94.7%	237,612
2028	13,021,480	290,000	670,026	94.9%	289,738
2029	13,316,480	295,000	670,245	95.0%	294,782
2030	13,616,480	300,000	670,334	95.1%	299,911
2031	13,921,480	305,000	670,206	95.2%	305,128
2032	14,231,480	310,000	669,773	95.3%	310,433
2033	14,547,480	316,000	669,945	95.4%	315,828
2034	14,868,480	321,000	669,631	95.5%	321,314
2035	15,195,480	327,000	669,737	95.6%	326,894
2036	15,528,480	333,000	670,170	95.7%	332,567
2037	15,866,480	338,000	669,833	95.8%	338,337
2038	16,210,480	344,000	669,629	95.9%	344,204
2039	16,560,480	350,000	669,459	96.0%	350,170
2040	16,916,480	356,000	669,222	96.0%	356,237

Source: Capitol Market Research, April 2018 offsum_cbd_2018.xls

Additions to inventory in 2018 - 2022 are based on the delivery of buildings currently under construction or planned with a definitive delivery date.

The office space additions shown for 2023 - 2040 above are assumed to approximately equal absorption

Waller Parks District Office Absorption

The previous sections have discussed the regional office market and the growth statistics related to the office market in Downtown Austin. The data shows that the CBD continues to be competitive in the regional office context and has maintained a healthy share of new office construction and absorption while also commanding the highest average rental rates in the city. As discussed earlier, the success of the downtown in a regional context is largely due to the rich mix of land uses in close proximity and the walkable character of the downtown district. The continuing success of the downtown market is also dependent upon the availability of vacant land, and the redevelopment of underutilized parcels.

In 2010, the City of Austin completed the Austin Downtown Master Plan which outlined a vision for the CBD that included a proposed land use plan for sub districts within the CBD. As part of the future land use plan, the master plan consultants identified "opportunity sites." These opportunity sites were either vacant (in 2010) or have low density improvements which do not reflect the highest and best use of the property. Current CBD zoning allows an 8:1 FAR unless the site is within an historic district (like West 6th Street) or is within a protected Capital View Corridor (CVC). On some sites the owner has achieved a higher density "bonus" that increased the FAR. Taking the FAR constraints into consideration, the Master Plan consultants identified the potential for adding approximately 37.2 million square feet of additional building net rentable space in the CBD. Within the existing Waller Creek TIF boundary, the consultants identified opportunity for development of approximately 9.4 million square feet of new development.

In 2017, Nelsen Nygaard completed the Downtown Austin Parking Stratgey Plan for the Downtown Austin Alliance. Part of the plan included an opportunity site assessment (update) which was completed by McCann Adams Studio. The site assessment shows a total of 37.8 million square feet of development opportunity, which assumes that all sites are built to their maximum F.A.R., including a density bonus. Within the Waller Parks District there is a potential to develop 8.6 million square feet of development (with the bonus), which is 22.73% of the total development potential in the CBD.

A preliminary estimate of the office absorption potential for the Waller Creek TIF was calculated for the existing TIF district using the proportional share of the downtown development potential (22.73%) combined with an estimate of the "competitive" share. This competitive share reflects the change in character likely to occur as a result of the implementation of the planned Waller Creek masterplan and significant Creekside improvements. The "blended" capture rate is the average of the proportional and competitive share. This absorption forecast is shown on Table (11) on the following page.

Table (11)

Office Space Absorption Forecast

Downtown Austin and the Waller Parks District

Year	Citywide Absorption	CBD Market %	Market Area (CBD) Absorption	Market Area Additions	Waller Parks District				
					Proportional Capture Rate	Competitive Capture Rate	Blended Rate	Absorption Potential in WPD	Cummulative Potential Absorption
2018	1,794,945	*21.0%*	377,411	445,087	22.7%	22.7%	22.7%	85,786	85,786
2019	1,439,718	*21.0%*	302,720	0	22.7%	23.3%	23.0%	69,652	155,438
2020	997,632	*21.0%*	209,765	302,000	22.7%	23.8%	23.3%	48,850	204,287
2021	851,363	*21.0%*	179,010	570,000	22.7%	24.4%	23.6%	42,187	246,474
2022	1,488,634	*21.0%*	313,005	0	22.7%	25.0%	23.8%	74,637	321,112
2023	1,239,910	*21.0%*	260,708	261,000	22.7%	25.5%	24.1%	62,894	384,005
2024	1,247,942	*21.0%*	262,396	262,000	22.7%	26.1%	24.4%	64,033	448,039
2025	1,193,699	*21.0%*	250,991	251,000	22.7%	26.6%	24.7%	61,950	509,988
2026	1,126,745	*21.0%*	236,913	237,000	22.7%	27.2%	25.0%	59,136	569,124
2027	1,130,071	*21.0%*	237,612	238,000	22.7%	27.7%	25.2%	59,973	629,097
2028	1,377,976	*21.0%*	289,738	290,000	22.7%	28.3%	25.5%	73,937	703,034
2029	1,401,965	*21.0%*	294,782	295,000	22.7%	28.9%	25.8%	76,046	779,080
2030	1,426,361	*21.0%*	299,911	300,000	22.7%	29.4%	26.1%	78,206	857,286
2031	1,451,171	*21.0%*	305,128	305,000	22.7%	30.0%	26.4%	80,417	937,703
2032	1,476,401	*21.0%*	310,433	310,000	22.7%	30.5%	26.6%	82,681	1,020,384
2033	1,502,059	*21.0%*	315,828	316,000	22.7%	31.1%	26.9%	84,999	1,105,383
2034	1,528,152	*21.0%*	321,314	321,000	22.7%	31.7%	27.2%	87,371	1,192,754
2035	1,554,687	*21.0%*	326,894	327,000	22.7%	32.2%	27.5%	89,800	1,282,554
2036	1,581,671	*21.0%*	332,567	333,000	22.7%	32.8%	27.7%	92,286	1,374,840
2037	1,609,110	*21.0%*	338,337	338,000	22.7%	33.3%	28.0%	94,830	1,469,670
2038	1,637,014	*21.0%*	344,204	344,000	22.7%	33.9%	28.3%	97,435	1,567,105
2039	1,665,389	*21.0%*	350,170	350,000	22.7%	34.4%	28.6%	100,100	1,667,205
2040	1,694,243	*21.0%*	356,237	356,000	22.7%	35.0%	28.9%	102,828	1,770,033
Total			6,816,074	6,751,087			26.0%	1,770,033	

Source:Capitol Market Research, April 2018 offsum_cbd_2018.xl

Capture rate based (in part) on Waller Creek potential development of opportunity sites as a percentage of the total CBD

DOWNTOWN AUSTIN

APARTMENT MARKET CONDITIONS

Apartment Market Trends in the Austin MSA

Traditionally, apartment projects in Austin have been clustered near activity centers, major employers and the university areas. Examples of this phenomenon include the cluster of apartments near IBM, Dell, Abbott Labs and Seton Hospital as well as the apartments surrounding the University of Texas, St. Edwards University, and the various Austin Community College campus locations. In the recent past, the Central Business District had relatively few residential rental units in inventory. However, since 2009 and 2010, several new communities were developed within the area, with construction continuing into 2016.

Market conditions in the Austin area multi-family market were volatile in the eighties, when Federal Tax Policy caused dramatic overbuilding of the apartment market in 1985 and 1986, followed by several years of inactivity. After dropping to 80% occupancy in the mid-eighties, occupancy rates steadily increased, and by 1990, rapid rent escalation was underway. However, it was not until 1993 that overall market rental rates were high enough to support widespread construction activity.

As Austin's economy experienced robust growth in the early nineties, the resurgence of multi-family construction began in 1991 when 148 units were constructed and 220 units were absorbed. At that time citywide occupancy was at 93.7% and apartments leased for an average $0.57 per square foot. From that period through mid-1996, average rent per square foot and absorption accelerated dramatically. Occupancy first peaked in December 1994 at 97.4%, and then again in June 2000 (at 98.2%), while new unit completions peaked in 1996 at 6,405 units and then again at 8,472 in 2001. Since 1996, the pace of new construction fluctuated from year to year but both occupancy and average rental rates increased steadily through the end of 2000.

In 2001, for the first time in many years, new unit completions dramatically exceeded absorption and the market plunged from 97.6% in January to 90.0% by the end of the year. Rents dropped precipitously, but the building continued into 2002, in spite of the softness in the market. Beginning in late 2003, new construction activity began to diminish and regional apartment demand regained strength which resulted in the positive absorption trend through 2004, 2005, 2006 and 2007. However, in 2008 the market occupancy rate decreased 5.2 percentage points from 2007, with additional drops in 2009 occupancy (90.4%) and rental rates ($0.93). December 2010 and 2011 saw a rapid recovery, and by 2012[1], rental rates had increased again to $1.12, a $0.07 increase since December 2011, and occupancy also increased to reach an astonishing 97.4%. In December 2014, rental rates climbed to $1.26, and occupancy has dropped slightly to 94.0%, before reaching $1.35 at 94.5% in December 2015.

Current Market Conditions

There were 43,611 net units added between 2010 and 2016, including new units, renovations added back into inventory, and those units removed from inventory due to either a condo conversion or demolition, including the highest number of units added in one year since the late 1980s (10,371 units in 2014). From 2010 through 2013, absorption was very strong as net units added were consistently less than unit demand. The December 2014 Capitol Market Research (CMR) Survey showed 10,371 net units added in

[1] The December 2012 multi-family survey was the first year that incorporated San Marcos and Georgetown.

2014, the most net units added in the area in a calendar year for over 20 years. This increased rate of construction, cumulating with the opening multiple new projects at the end of the year, resulted in a lower than expected net absorption rate and a decline in occupancy. However, the December 2015 survey showed a return to strong annual absorption, with 9,347 units absorbed, the highest rate of absorption ever recorded, and the occupancy rate rose to 94.5%. December 2016 saw a net addition of 10,780 units, topping the previous record set in 2014. Although absorption remained strong in 2016, the occupancy rate dipped to 93.8%, and rental rates increased slightly since the end of 2015 to $1.39 per square foot.

The most recent survey data, completed by CMR in December 2017, shows a net addition of 10,727 units, just slightly less than the record achieved the previous year. Absorption was 5,891 units, dropping the occupancy rate to 92.2%, as 52 projects continue their lease-up. Rental rates have fallen slightly since the $1.41 seen in June 2017, back to $1.39 per square foot. Table (12), on the following page, provides apartment market conditions from December 1991 through December 2017. Historical data on occupancy, average rent, unit completions and absorption for 1991 through 2017 is taken from CMR's Austin Apartment Survey, a semi-annual survey of all projects with more than 50 units in the Austin area.

Table (12)

Austin Citywide Apartment Summary

December 1991 - December 2017

Year	Total Units	Occupied Units	Percent Occupied	Net Units Added	Calculated Absorption	Rent per Sq.Ft.
1991	61,113	57,266	93.7%	148	220	$0.57
1992	61,118	58,448	95.6%	348	1,160	$0.64
1993	63,074	61,174	97.0%	594	1,229	$0.71
1994	66,379	64,662	97.4%	2,178	2,212	$0.75
1995	69,324	67,101	96.8%	3,010	3,098	$0.79
1996	77,019	71,452	92.8%	7,384	3,882	$0.81
1997	81,382	77,270	94.9%	4,770	5,697	$0.82
1998	86,428	83,683	96.8%	4,778	5,929	$0.86
1999	89,699	87,531	97.6%	2,499	3,643	$0.91
2000	96,114	93,786	97.6%	5,923	5,773	$0.98
2001	105,162	94,651	90.0%	9,351	1,368	$0.94
2002	113,380	99,794	88.0%	8,432	4,925	$0.86
2003	120,169	107,290	89.3%	4,912	5,828	$0.81
2004	122,323	111,786	91.4%	2,262	4,133	$0.81
2005	124,325	117,389	94.4%	1,819	6,243	$0.85
2006	126,842	120,304	94.8%	2,993	2,356	$0.91
2007	128,900	124,558	96.6%	3,416	5,562	$0.96
2008	137,005	125,284	91.4%	8,404	1,526	$0.97
2009	145,734	131,686	90.4%	9,025	6,750	$0.93
2010	147,045	139,361	94.8%	2,906	8,773	$0.98
2011	147,648	141,614	95.9%	576	2,245	$1.05
2012	164,143	159,918	97.4%	4,222	6,441	$1.12
2013	170,234	164,917	96.9%	6,087	4,589	$1.21
2014	180,519	169,732	94.0%	10,371	4,279	$1.26
2015	189,320	178,901	94.5%	8,669	9,347	$1.35
2016	200,028	187,718	93.8%	10,780	8,770	$1.39
2017	210,655	194,253	92.2%	10,727	5,891	$1.39

Source: Capitol Market Research, December 1991 - 2017 Apartment Market Survey

CMR estimates of new completions based on surveys of property managers and owners

Net Units added and Absorption are calculated numbers, and will take into account new units, added older inventory, "retired" inventory, and remodeled units.

Georgetown and San Marcos included in totals starting in 2012

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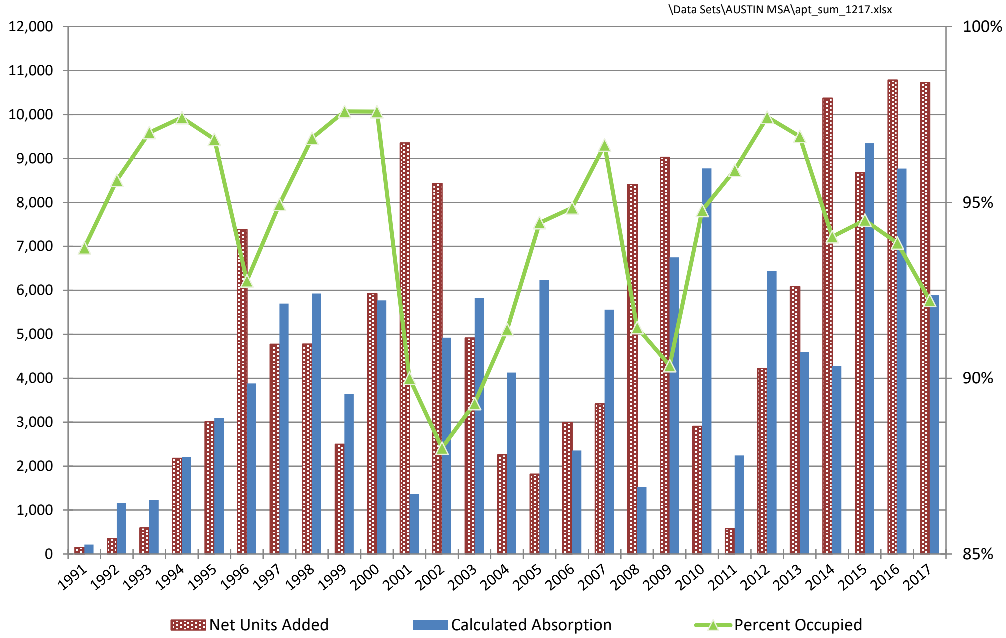


Downtown Austin Multi-Family Housing Market Conditions

Overview

In December 2017, Capitol Market Research surveyed 23 active (open and leasing) apartment communities in the Downtown Austin market area, with a total of 4,988 units and a current occupancy rate of 93.0%, including the successful lease-up of two new properties, Millennium Rainey and Northshore. Average rents have dropped slightly to $2.46, a $0.02 decrease since December 2016. Unlike some larger and more mature cities, the downtown area in Austin has only emerged recently as a distinct submarket, since 4,829 (96.8%) of the 4,988 total units have been completed since the beginning of 2000. An historical summary of the market area inventory, occupancy, and rents is shown on Table (13) on the following page.

New Construction Trends

The Downtown Austin market area is composed of three distinct structure types: high rise, mid-rise wrap/podium and garden style walk-up. New multi-family construction has increased dramatically in the Downtown market area since 2000 when only a handful of older properties existed. The transition from garden style walk-up with surface parking to mid-rise product (with elevators and structured parking) started in the early 2000s with Gables West Avenue, which was completed in 2001. The transition from mid-rise to tower construction began with AMLI Downtown (2004). Since that time, the density of the multi-family projects downtown has increased, and now the majority of new projects completed and planned are high-rise towers. The multi-family market in Downtown Austin has seen a substantial increase in interest from renters seeking a more "urban" lifestyle in a low maintenance residence with easy access to employment and entertainment opportunities in and around the area. The market has responded to renter needs, and currently there are a wide variety of product types in the downtown area.

New construction in Downtown Austin has been very active, with ten new projects completed since the beginning of 2010. Seven of these ten projects are high-rise towers, which offer very high grade finishes and extensive project amenities which justify a higher than average rent. Within the market area, there are twelve apartment towers with a total of 3,318 rentable units. The average rent among the towers has increased from $1.76 in 2004 to $2.21 in 2007, with current rates of $2.64 per square foot. Occupancy rates impacted by new deliveries range from a low of 60.7% in 2004, when the first new tower opened, to a high of 98.2% in 2007. Currently, the high rise towers in the market area have an occupancy rate of 93.2%, including the stabilization of Northshore, the newest apartment tower.

The two most recently completed projects are Northshore, a class "A+" high rise which is a part of the Green Water Development, and Millennium Rainey, a "new urbanist" midrise wrap located in the Rainey Street District. The two newest high rise properties (The Bowie, Northshore) are currently leasing at the highest rates in the market area, at $3.22 and $2.98 per square foot, respectively. There are only two properties currently under construction in Downtown Austin, although one additional property, Rise on 8th, was recently completed, but converted to a "time-share" hotel. Gables Republic Square, a Hotel ZaZa with 195 apartment units above, is scheduled for delivery in March 2019, and 1301 W. 5th Street is a mid-rise property that just recently started construction and should also deliver units in March 2019.

Table (13)

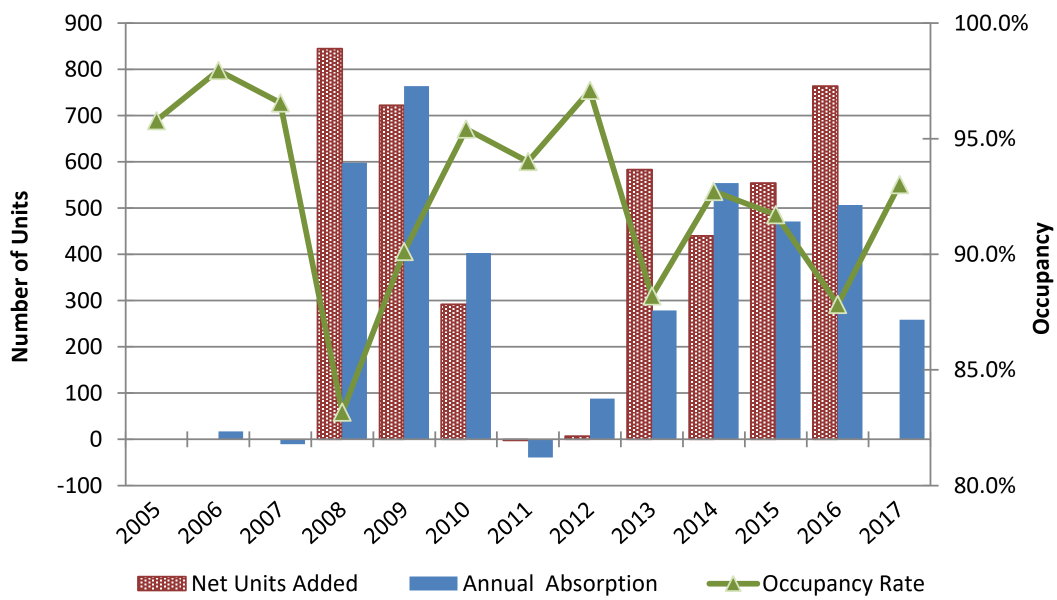
Apartment Market Summary

Downtown Austin

Year	Number of Units	Units Occupied	Occupancy Rate	Net Units Added	Annual Absorption	Rent per Sq. Ft.
2005	783	750	95.8%	...	...	$1.57
2006	783	767	98.0%	0	17	$1.81
2007	783	756	96.6%	0	(11)	$1.93
2008	1,628	1,354	83.2%	845	598	$1.86
2009	2,350	2,118	90.1%	722	764	$1.88
2010	2,642	2,521	95.4%	292	403	$2.05
2011	2,640	2,482	94.0%	(2)	(39)	$2.06
2012	2,647	2,570	97.1%	7	88	$2.29
2013	3,230	2,849	88.2%	583	279	$2.39
2014	3,670	3,403	92.7%	440	554	$2.44
2015	4,224	3,874	91.7%	554	471	$2.57
2016	4,988	4,381	87.8%	764	507	$2.48
2017	4,988	4,640	93.0%	0	259	$2.46

Source: Capitol Market Research December 2005 - December 2017 histocc.xls

Note: Includes Affordable Housing & Student Housing in market area



Rental Rates

Average rents in Downtown Austin are currently (December 2017) $2.46 per square foot, which is down from the high of $2.60 achieved in June 2016. Within downtown, there are three distinct product types, traditional garden style (walk up) communities, mid-rise product with elevators and adjacent (or "wrapped") structured parking garages, and high rise towers built above (or adjacent to) a parking garage. While the market average is $2.46, the high rise towers average $2.63 per square foot, mid-rise projects average $2.07 per square foot, while the garden style apartments average $1.84 per square foot.

The Downtown Austin market area has consistently had rental rates almost double the rate of the Austin MSA, because of the confirmed and continuing desirability to reside in a live/work/play environment. Both the Downtown Austin market area and the Austin MSA average rents have increased since 2009, when the Downtown market area was $1.88 and the MSA was $0.93 per square foot. Overall, citywide rental rates achieved an average annual increase of 3.06% between 2005 and 2015, while the Downtown Austin market area averaged a 4.82% annual increase.

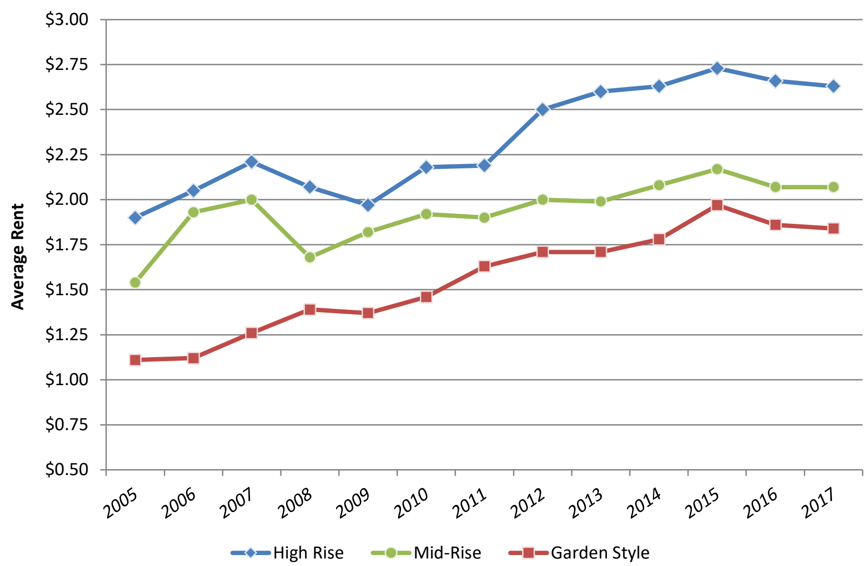
Table (14)

Average Rent by Building Type

Downtown Austin

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
High Rise													
Rentable Units	221	221	221	798	1,196	1,488	1,486	1,493	2,076	2,302	2,880	3,318	3,318
Average Rent	$1.90	$2.05	$2.21	$2.07	$1.97	$2.18	$2.19	$2.50	$2.60	$2.63	$2.73	$2.66	$2.63
Mid-Rise													
Rentable Units	379	379	379	647	971	971	971	971	971	1,185	1,185	1,511	1,511
Average Rent	$1.54	$1.93	$2.00	$1.68	$1.82	$1.92	$1.90	$2.00	$1.99	$2.08	$2.17	$2.07	$2.07
Garden Style													
Rentable Units	183	183	183	183	183	183	183	183	183	183	159	159	159
Average Rent	$1.11	$1.12	$1.26	$1.39	$1.37	$1.46	$1.63	$1.71	$1.71	$1.78	$1.97	$1.86	$1.84
Total/Averages													
Rentable Units	783	783	783	1,628	2,350	2,642	2,640	2,647	3,230	3,670	4,224	4,988	4,988
Average Rent	$1.57	$1.81	$1.93	$1.86	$1.88	$2.05	$2.06	$2.29	$2.39	$2.44	$2.57	$2.48	$2.46

Prepared by Capitol Market Research, December 2017 rent_occ.xls



Project Absorption and Lease-Up Rates

The Downtown Austin market area currently has seven recently completed market rate properties that have stabilized, and one additional market rate tower just south of the river (The Catherine) included. These eight total properties had a "weighted" average lease-up rate of 19.92 units per month when they were in lease up, ranging from a high of 25.74 units at Seven to a low of 12.47 units per month at The Bowie. Table (15) below shows the initial lease-up rates at the seven new market rate towers in the market area, one mid-rise property in the Rainey Street District, and one additional tower just south of the market area.

Table (15)

Lease-Up Rates in New Communties

Downtown Austin

Property	Planned Units	Completed Units	Open Date	Stabilized Date	Units Occupied *(at Stabilization)*	Occupancy Rate *(Stabilized)*	Units/Month Leased
Stabilized Properties							
Whitley	266	266	Feb-13	Nov-13	239	90.0%	25.37
Skyhouse	321	321	Dec-13	May-15	289	90.0%	16.90
Gables Park Tower	223	223	Jan-14	Nov-14	201	90.0%	20.08
The Catherine	300	300	Jan-15	May-16	270	90.0%	17.66
Seven	220	220	Apr-15	Nov-15	198	90.0%	25.74
The Bowie	357	357	Jan-15	Mar-17	321	90.0%	12.47
Northshore	439	439	Mar-16	Jul-17	395	90.0%	25.57
Millennium Rainey	326	326	Jun-16	Nov-17	293	90.0%	17.10
Stabilized Subtotal	2,452	2,452			2,207	90.0%	19.93

Source: Capitol Market Research Apartment Survey, December 2017 absorption.xls

NOTE: The average monthly lease up rate is a weighted average, based on open data and occupied units

**The Catherine is not included in the apartment market summary, since it is south of Lady Bird Lake and not considered part of the CBD*

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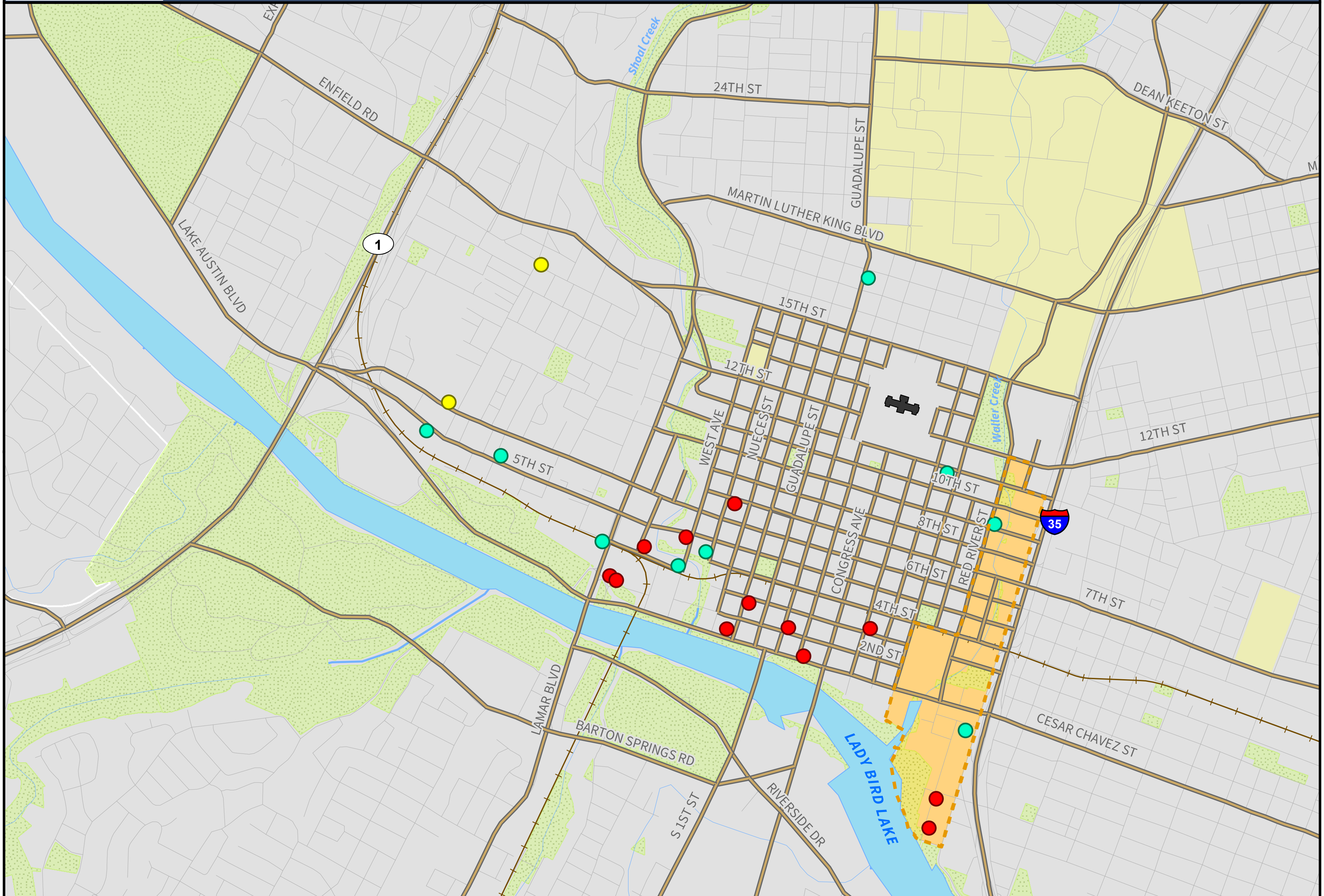
Figure (5)

Downtown Austin: *Existing Apartment Inventory*



Date: April 2018

Path: C:\GIS\Projects\2018\WallerCreek\existing_apt.mxd

Downtown Austin Demographic Trends

The defined Downtown Austin market area has experienced significant population and household growth since 2000 when the area had 13,601 people living in 7,874 households. Total population in the subject area census tracts grew from 15,968 in 2000 to 22,491 in 2013, an increase of 40.9%. See Table (16) below.

Table (16)

Population and Household Trends

Downtown Austin

	2000	*2010*	*2014*	*Annual Change (2000 - 2014)*
Population	15,968	20,926	22,491	*2.48%*
Households	7,874	10,360	10,763	*2.26%*
Population in Households	13,601	17,448	19,487	*2.60%*
Average HH Size	1.73	1.68	1.81	*0.34%*
Owner Households	2,212	3,061	3,324	*2.95%*
Percent Owner	*28.09%*	*29.55%*	*30.88%*	*0.68%*

Source: US Bureau of the Census, 2000, 2010, ACS 2012-2016 demcalc.xls

Note: The ACS 2012-2016 is a rolling 5-year survey, meant to represent the median year of 2014.

Prepared by Capitol Market Research, March 2018

Downtown Austin Population and Household Forecast

According to the U.S. Census Bureau, the Downtown Austin market area contained 1.22% of the population of the Austin MSA in 2010. The population and household forecast, shown in Table (17) below, uses the capture rate (percent of growth in the MSA) for the market area to estimate future household growth, along with the household size based on the change from the US Census 2000 to 2010. The capture rate, rising from 1.76% in 2018 to 2.36% in 2030 and 2.58% in 2040, is based on the population forecasts in the CAMPO (Capital Area Metropolitan Planning Organization) Regional Transporation Plan. The Downtown Austin market area is projected to add 1,116 average households per year from 2018 through 2040.

Table (17)
Population and Household Forecast
Dowtown Austin

		MARKET AREA FORECAST						
Year	Forecasted MSA Population Growth	Capture Rate	New Population	Household Size	New HH	% of Housing Stock Lost	Housing Stock Turnover	Net HH Increase
2010	...	1.06%	...	1.68	...	...	...	...
2011	51,400	1.15%	591	1.68	351	0.50%	54	405
2012	53,255	1.24%	658	1.68	392	0.50%	56	447
2013	54,924	1.32%	727	1.68	433	0.50%	58	490
2014	56,562	1.41%	797	1.68	475	0.50%	60	535
2015	58,007	1.50%	868	1.68	518	0.50%	63	580
2016	60,282	1.58%	954	1.68	570	0.50%	65	635
2017	61,453	1.67%	1,026	1.67	613	0.50%	69	682
2018	63,675	1.76%	1,119	1.67	669	0.50%	72	741
2019	64,869	1.84%	1,196	1.67	716	0.50%	75	791
2020	66,141	1.93%	1,277	1.67	765	0.50%	79	844
2021	66,847	1.97%	1,319	1.67	791	0.50%	83	874
2022	68,232	2.02%	1,376	1.67	826	0.50%	87	913
2023	69,063	2.06%	1,423	1.67	854	0.50%	92	946
2024	70,610	2.10%	1,485	1.66	893	0.50%	96	989
2025	72,006	2.15%	1,546	1.66	930	0.50%	101	1,031
2026	73,035	2.19%	1,600	1.66	963	0.50%	106	1,069
2027	74,590	2.23%	1,666	1.66	1,004	0.50%	111	1,115
2028	76,456	2.28%	1,741	1.66	1,050	0.50%	116	1,166
2029	77,901	2.32%	1,808	1.66	1,091	0.50%	121	1,213
2030	79,950	2.36%	1,890	1.66	1,142	0.50%	127	1,269
2031	81,602	2.39%	1,947	1.65	1,177	0.50%	133	1,310
2032	83,862	2.41%	2,019	1.65	1,222	0.50%	139	1,361
2033	86,170	2.43%	2,093	1.65	1,268	0.50%	145	1,413
2034	88,256	2.45%	2,163	1.65	1,311	0.50%	152	1,463
2035	90,833	2.47%	2,246	1.65	1,363	0.50%	159	1,522
2036	93,048	2.49%	2,321	1.65	1,410	0.50%	166	1,575
2037	96,052	2.52%	2,416	1.64	1,469	0.50%	173	1,642
2038	98,741	2.54%	2,505	1.64	1,524	0.50%	181	1,705
2039	101,717	2.56%	2,603	1.64	1,585	0.50%	189	1,774
2040	104,489	2.58%	2,697	1.64	1,644	0.50%	197	1,841

Prepared by: Capitol Market Research, March 2018 demcalc_cbd_2018.xls

Notes: MSA population forecast based on the population forecast obtained from Texas State Data Center, Scenario 1.0, 2010 Census. Capture Rate based on market area % of growth in the MSA from 2000 through 2010, and the CAMPO 2040 forecasts for the market area. Household size based on US 2010 Census. % of housing stock lost from Pickin & Meyer, 2008.

Downtown Austin Multi-family Demand Forecast

In order to determine the multi-family housing demand in the primary market area (PMA), CMR used the Population and Household Forecast, shown previosuly in Table (17), to estimate total multi-family unit demand. It is assumed that the renter housing tenure will continue to be similar to the 2010 US Census numbers. The percentage multi-family is normally calculated from new building permits issued over the past ten years in the MSA (Texas A&M Real Estate Data Center), which has been 94.2% of rental housing. However, due to the high-density urban character of Downtown Austin, and the resulting high cost of land and the lack of large available tracts of land, there are no for rent townhomes or duplexes being built in the market area. Because of this, CMR has estimated that the percentage multi-family of new rental demand is 100%. Using these estimates, the forecasted new multi-family housing demand from population growth will average 824 units per year from 2016 through 2040, as shown in Table (18) below.

Table (18)

Multi-Family Unit Demand

Downtown Austin

Year	Net HH Increase	MARKET AREA FORECAST			
		% Renter	New Renter HH	% Multi-Family	Final Demand
2018	741	68.45%	507	100.00%	507
2019	791	68.28%	540	100.00%	540
2020	844	68.11%	575	100.00%	575
2021	874	67.95%	594	100.00%	594
2022	913	67.78%	619	100.00%	619
2023	946	67.61%	640	100.00%	640
2024	989	67.44%	667	100.00%	667
2025	1,031	67.28%	693	100.00%	693
2026	1,069	67.11%	717	100.00%	717
2027	1,115	66.94%	746	100.00%	746
2028	1,166	66.78%	779	100.00%	779
2029	1,213	66.61%	808	100.00%	808
2030	1,269	66.44%	843	100.00%	843
2031	1,310	66.27%	868	100.00%	868
2032	1,361	66.11%	900	100.00%	900
2033	1,413	65.94%	932	100.00%	932
2034	1,463	65.77%	962	100.00%	962
2035	1,522	65.61%	998	100.00%	998
2036	1,575	65.44%	1,031	100.00%	1,031
2037	1,642	65.27%	1,072	100.00%	1,072
2038	1,705	65.10%	1,110	100.00%	1,110
2039	1,774	64.94%	1,152	100.00%	1,152
2040	1,841	64.77%	1,192	100.00%	1,192

Prepared by: Capitol Market Research, 2018 demcalc.xls

Notes: New Households based on Table (17). Percent renter based on change between US 2000 Census and ACS 2012-2016 Survey. Percent multi-family deemed to be suitable for the "urban" nature of the market area.

Downtown Austin Competitive Multi-Family Sites

Currently, the market area occupancy is 93.0% occupied, which is a sharp increase from the 87.8% reported at the end of 2016. Recent interviews with the City of Austin planning department, and local brokers and apartment developers, revealed 15 competitive sites for multi-family construction, including five in the Waller Creek TIF zone. Currently, none of these properties are considered “affordable” or “student” housing. In order to be considered as “planned” competition, the identified site must either be held by or under contract to a developer with known intention to move forward with a multi-family project. Sites are defined as being "potentially competitive" if the land is currently zoned appropriately for multi-family development and utilities are available. One additional project, 3rd & Colorado, recently filed a site development permit for an apartment tower, but now will be completed as an office building for Parsley Energy, and is therefore considered “canceled”. In the subject market area, there are a number of potentially competitive sites that have zoning which allows for multi-family and could be developed with new apartments, but as of April 2018, these sites are not considered to be a part of the competitive “pipeline”.

The annual additions to the market area resulting from the development of this potential inventory of multi-family units will vary based on the capacity of the apartment developer to obtain the necessary construction financing and city approvals. It is also possible that other projects not currently in the planning stage could be quickly developed and brought to the market. Thus, the list of planned additions is both actual; because it represents current plans, and representative, because it presents a position that the subject project will be competing with other new apartment projects during the anticipated development horizon. Until construction actually begins, there is always uncertainty regarding project viability and timing.

Table (19)

Planned & Under Construction Multi-Family Sites

Downtown Austin

Map No	Project	Address	Building Type	Units	Developer	Status	Zoning
1	1301 W 5th Street	1301 W. 5th St.	Podium	225	CWS	Construction	LI-PDA-NP
2	5th & Brazos	501 Brazos St.	Tower	320	Magellan Development	Approved	CBD
3	600 Guadalupe	600 Guadalupe St.	Tower	340	Lynd Development	Submitted	CBD
4	610 East 11th Street	610 East 11th Street	Tower	300	Greystar	Proposed	CBD
5	80 Red River	80 Red River St.	Tower	400	Genesis Real Estate	Proposed	CBD
6	91 Red River	91-93 Red River Street	Tower	328	Endeavor	Submitted	CBD
7	Alexan Capital	700 E. 11th St.	Tower	274	Trammell Crow	Submitted	CS-CO-NP
8	E. 9th Street Apts	701 E. 9th St.	Podium	152	Sackman Enterprises	Submitted	CBD
9	East Avenue Apts	16 North IH-35	Tower	218	Richmond/Ascension	Submitted	CBD
10	Gables Republic Square	401 Guadalupe St.	Tower	215	Gables Residential	Construction	CBD
11	Pressler Avenue Apts (300)	300 Pressler Ave.	Podium	112	Riverside Resources	Approved	CS-CO-NP
12	Pressler Avenue Apts (315)	315 Pressler Ave.	Podium	107	Riverside Resources	Approved	CS-CO-NP
13	The Avenue	721 Congress Ave.	Tower	135	Congress Dev. Partners	Approved	CBD
14	Trinity Tower	401 E. Cesar Chavez St.	Tower	360	World Class Capital	Expired	CBD-CURE
15	Waller Center Building B	92 Red River St.	Tower	295	McCourt/Hines	Approved	CBD-CURE
	Total			**3,781**			

Source: Review of city plats, developer interviews, April 2018 Compsite_apt_cbd.xls

Note: (AH) = Affordable Housing, (SH) = Student Housing

**Status of Submitted, Approved, or Expired refer to City of Austin permitting. Proposed project have not yet been submitted to City.*

Downtown Austin and Subject Absorption Forecast

It is estimated that the subject market area will show an average annual demand of 560 new apartment units for 2018 through 2022 (Table (17)). The data shown in Table (20) below shows the timing the planned multi-family projects in the market area. There is one recently "canceled" project (3rd & Colorado), and five additional projects "on hold" due to situations such as higher than anticipated construction costs, financing challenges, and right of way disputes. Among the 15 projects listed below, two under construction are expected to deliver units in 2019, one planned project will start delivering units in 2019 and into 2020, and two additional project will introduce units in 2020. A slight "overbuilt" scenario might develop in 2020, however, "pent-up" demand carried over from an absence of new unit deliveries in 2017 and 2018 will help to mitigate a drop in occupancy during that time.

Table (20)
Proposed Project Timing
Downtown Austin

Map No.	Project Name	Units Planned	First Unit Delivery	*2018*	*2019*	*2020*	*2021*	*2022*	*Future*
1	1301 W 5th Street	225	Mar-19	...	225	...	...	...	...
2	5th & Brazos	320	*tbd*	...	...	...	...	...	320
3	600 Guadalupe	340	*tbd*	...	...	...	...	...	340
4	610 East 11th Street	300	*tbd*	...	...	...	...	...	300
5	80 Red River	400	*tbd*	...	...	...	...	...	400
6	91 Red River	328	Sep-20	...	...	328	...	...	...
7	Alexan Capital	274	Sep-20	...	...	274	...	...	...
8	E. 9th Street Apts	152	*tbd*	...	...	...	...	...	152
9	East Avenue Apts	218	*on hold*	...	...	...	...	...	218
10	Gables Republic Square	215	Mar-19	...	215	...	...	...	...
11	Pressler Avenue Apts (300)	112	*on hold*	...	...	...	...	...	112
12	Pressler Avenue Apts (315)	107	*on hold*	...	...	...	...	...	107
13	The Avenue	135	Mar-20	...	...	...	...	...	135
14	Trinity Tower	360	*on hold*	...	...	...	...	...	360
15	Waller Center Building B	295	*on hold*	...	...	...	...	...	295
	Total New Units:	3,781		0	440	602	0	0	2,739
	Demand:			503	539	576	585	599	
	Annual Excess (shortage) of Demand:			503	99	(26)	585	599	

Source: Review of city plats, developer interviews, April 2018 Compsites.xls

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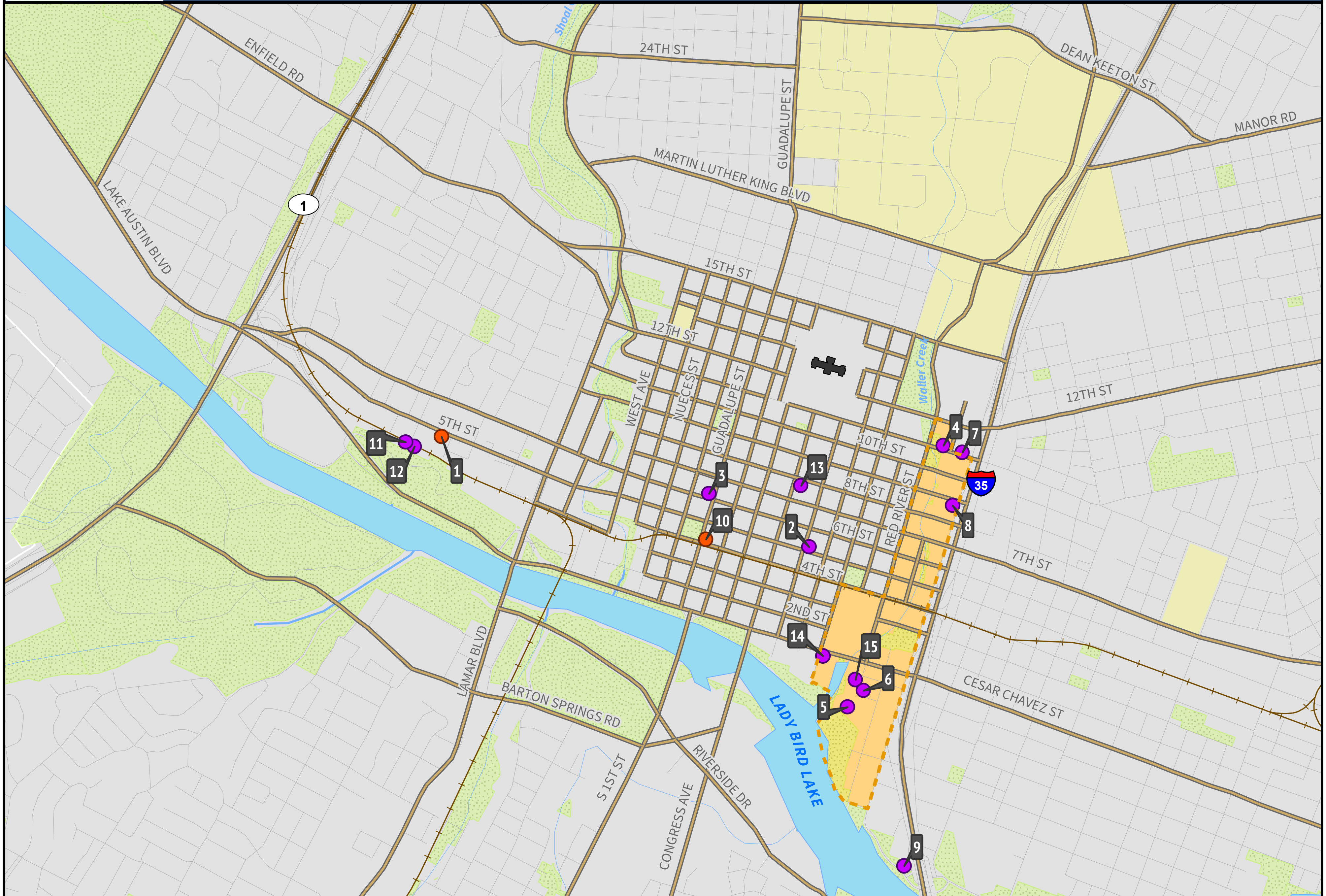
Figure (6)

***Downtown Austin:** Planned Multi-Family Sites*



Date: April 2018

Path: C:\GIS\Projects\2018\WallerCreek\planned_apt.mxd

Waller Parks District Multi-Family Absorption

The previous sections have discussed the regional multi-family market and the growth statistics related to the multi-family market in Downtown Austin. The data shows that the CBD continues to be competitive in the regional multi-family context and has maintained a healthy share of new multi-family construction and absorption while also commanding the highest average rental rates in the city. As discussed earlier, the success of the downtown in a regional context is largely due to the rich mix of land uses in close proximity and the walkable character of the downtown district. The continuing success of the downtown market is also dependent upon the availability of vacant land, and the redevelopment of underutilized parcels.

In 2010, the City of Austin completed the Austin Downtown Master Plan which outlined a vision for the CBD that included a proposed land use plan for sub districts within the CBD. As part of the future land use plan, the master plan consultants identified "opportunity sites." These opportunity sites were either vacant (in 2010) or have low density improvements which do not reflect the highest and best use of the property. Current CBD zoning allows an 8:1 FAR unless the site is within an historic district (like West 6th Street) or is within a protected Capital View Corridor (CVC). On some sites the owner has achieved a higher density "bonus" that increased the FAR. Taking the FAR constraints into consideration, the Master Plan consultants identified the potential for adding approximately 37.2 million square feet of additional building net rentable space in the CBD. Within the existing Waller Creek TIF boundary, the consultants identified opportunity for development of approximately 9.4 million square feet of new development.

In 2017, Nelsen Nygaard completed the Downtown Austin Parking Stratgey Plan for the Downtown Austin Alliance. Part of the plan included an opportunity site assessment (update) which was completed by McCann Adams Studio. The site assessment shows a total of 37.8 million square feet of development opportunity, which assumes that all sites are built to their maximum F.A.R., including a density bonus. Within the Waller Parks District there is a potential to develop 8.6 million square feet of development (with the bonus), which is 22.73% of the total development potential in the CBD.

A preliminary estimate of the multi-family absorption potential for the Waller Creek TIF was calculated for the existing TIF district using the proportional share of the (remaining) downtown development potential (23.73%) combined with an estimate of the "competitive" share. This competitive share reflects the change in character likely to occur as a result of the implementation of the planned Waller Creek masterplan and significant Creekside improvements. The "blended" capture rate is the average of the proportional and competitive share. This absorption forecast is shown on Table (21) on the following page.

Table (21)

Waller Parks District

Annual Apartment Unit Absorption Potential

Date	CBD Absorption	CBD New Completions	Waller Parks District				
			Propotional Market Share	Competitive Market Share	Blended Share	WPD Absorption Potential	Cummulative Absorption Potential
2018	403	0	23.7%	23.7%	24%	96	96
2019	434	440	23.7%	24.2%	24%	104	200
2020	474	602	23.7%	24.8%	24%	115	314
2021	507	0	23.7%	25.3%	24%	124	439
2022	542	0	23.7%	25.8%	25%	134	573
2023	574	599	23.7%	26.3%	25%	144	716
2024	612	599	23.7%	26.8%	25%	155	871
2025	646	600	23.7%	27.3%	26%	165	1,036
2026	688	700	23.7%	27.8%	26%	177	1,213
2027	730	700	23.7%	28.3%	26%	190	1,403
2028	730	700	23.7%	28.9%	26%	192	1,595
2029	730	700	23.7%	29.4%	27%	194	1,789
2030	730	700	23.7%	29.9%	27%	196	1,984
2031	730	700	23.7%	30.4%	27%	197	2,182
2032	730	700	23.7%	30.9%	27%	199	2,381
2033	730	700	23.7%	31.4%	28%	201	2,582
2034	730	700	23.7%	31.9%	28%	203	2,785
2035	730	700	23.7%	32.4%	28%	205	2,990
2036	730	700	23.7%	33.0%	28%	207	3,197
2037	730	700	23.7%	33.5%	29%	209	3,405
2038	730	700	23.7%	34.0%	29%	210	3,616
2039	730	700	23.7%	34.5%	29%	212	3,828
2040	730	700	23.7%	35.0%	29%	214	4,042
Total	15,092				27%	4,042	

Source: *Planned unit completions from Table (20)*
CBD Absorption forecast from Table (17). Proportionate share based on perctage of opportunity site FAR
Competitive share shows the area increasing share as the Waller Parks District is built and programmed

comp_aptsites_cbd.xls

DOWNTOWN AUSTIN

ATTACHED HOUSING (CONDO) MARKET CONDITIONS

Condominium Market Trends in the Austin MSA

Historically, attached housing[2] projects in the Austin MSA have been clustered in the central city, mostly in neighborhoods close to downtown, the Arboretum area and the University of Texas. Over the last decade, that area has expanded to include more neighborhoods such as Tarrytown, Bouldin Creek, Travis Heights, Barton Creek, Lakeway, East Austin and the Central Business District (CBD). The combination of strong consumer demand for housing and the rapid escalation of land prices in desirable neighborhoods has provided opportunities for new, higher density housing options. The most viable, and perhaps most successful, emerging market is the CBD. Since 2000, over 2,200 new condominiums units have been completed and absorbed, and many units have sold for prices that exceed $600 per square foot.

The current market trend has a solid footing in basic land economic fundamentals, unlike the condominium construction boom in the mid-eighties, which was fueled by favorable income tax treatment of "passive" real estate investments. In addition to rising single-family home prices, the demand for higher density housing has a strong demographic basis in ageing baby-boomer households and busy young professionals.

In the late nineties there were almost no attached housing projects for sale in Austin. Then in 2000, suburban construction began with the Courtyard Homes at Cobblestone (59 units) and Bouldin Creek Condominiums (33 units). Both projects were enthusiastically received by the young professional homebuyer and sold out quickly. Liberty Hill was also built in 2000, and sold rapidly to both young professionals and the empty nesters that live in the Westlake area. The success of these three projects enticed other developers to explore the market, and most of the new suburban product developed since then has been well received. In roughly the same time period, the downtown condominium market emerged, expanding from two small "adaptive reuse" projects on East Fifth St., to several new condominium towers.

One of the most interesting aspects of this higher density market is the degree to which urban homebuyers are accepting new innovative product, whether it is stark urban lofts in East Austin (The Pedernales), or elegant stone townhomes (Kinney Muse) and combined condo/townhome projects (Denizen) in South Austin, or expensive high-rise condominiums in downtown (The Austonian and the Residences at the Four Seasons). In suburban locations, the product of choice appears to be the small single family home built on a "pad site" in a condominium subdivision.

There are currently several new projects under construction or in the initial preconstruction sales period. Most of these projects are located in central city neighborhoods on major arterials in or close to downtown, but there are also a number of new projects in suburban communities, which include Cedar Park, Georgetown, Lakeway and Round Rock.

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[2] Capitol Market Research defines "Attached Housing" as duplex, triplex, fourplex, townhome or condominium units.

Current Market Conditions (MLS)

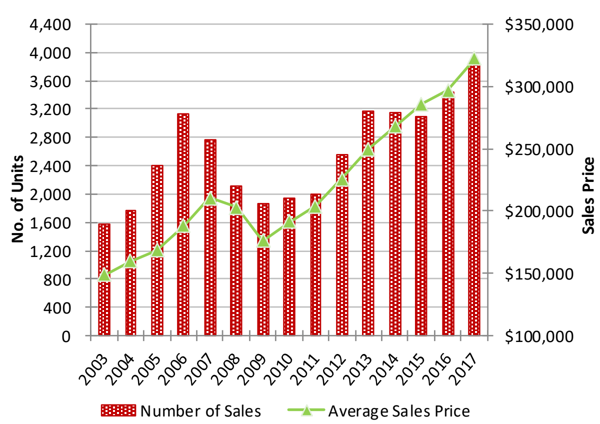
As discussed above, the attached housing market in the Austin area is rapidly gaining strength and is emerging as an important segment of the new home market. Attached housing sales, as a percentage of total MLS home sales, have fluctuated over the past ten years (2007-2016) within a narrow range between 9% and 11%, with an average of 10.19%. Recently, in 2017, attached housing sales have increased to 11.61% of all housing sales in the Austin MSA. This percentage is likely to increase over the next few years as more product is brought to the market.

Historically, as demand increased and new, more expensive units were introduced to the market, the average unit sales price of existing units also increased from $148,936 in 2003 to $210,602 in 2007. In 2009, the average price dropped to $176,026 but it has continued to rise since then, reaching $296,822 at the end of 2016. The most recent sales year, 2017, saw the average sale price of existing attached housing in the Austin MSA rise to $322,278, or $239 per square foot.

Table (22)
Austin MSA Attached Housing Sales
December 2003 - December 2017

Year	Number of Sales	Average Sales Price	Average Sq.Ft.	Average $/SF	Average DOM
2003	1,568	$148,936	1,242	$120	64
2004	1,763	$159,662	1,275	$125	81
2005	2,399	$168,652	1,254	$134	74
2006	3,123	$188,212	1,227	$153	58
2007	2,767	$210,602	1,268	$166	53
2008	2,103	$202,649	1,215	$167	72
2009	1,860	$176,026	1,166	$151	82
2010	1,945	$191,274	1,241	$154	80
2011	1,997	$204,103	1,264	$161	89
2012	2,550	$225,877	1,311	$172	70
2013	3,177	$249,849	1,277	$196	47
2014	3,144	$267,939	1,293	$207	38
2015	3,099	$285,482	1,296	$220	39
2016	3,432	$296,822	1,312	$226	53
2017	3,830	$322,278	1,347	$239	51

Source: Austin Board of Realtors, MLS Database condo_sum.xls
Prepared by Capitol Market Research, March 2018
MLS Search Conditions: Condo, Duplex, Townhome in five county metro area



Current Market Conditions (MetroStudy)

As shown in the historical data on the previous pace, attached housing, most of which are sold as condominium regimes, continue to become an ever increasing segment of the new home market in Austin. A current (4Q 2017) inventory of all actively selling condominium regimes in the Austin area by MetroStudy shows that the Central and West market areas have the highest average prices, at $619,017 and $544,946 respectively. The East, Southeast, and West market areas currently have the smallest amount of under construction and future inventory, while the largest amount of under construction and future inventory is located in North and Central Austin. According to MetroStudy, the average price of all currently active condominiums is $387,847, or $201 per square foot. It should be noted that the price point indicated in the MetroStudy date is a better of reflection of new condominium inventory, as MLS sales have both new and resales included in their averages.

Table (23)

MetroStudy Active Condominium Summary

Austin MSA

Market Area	No. Projects	Average Price	Average Sq.Ft.	Average Price/Sq.Ft.	Occupied Units	Under Const. Units	Future Units
Central	33	$619,017	1,654	$374	978	1,303	489
East	1	$296,776	2,452	$121	88	3	6
North	38	$293,186	1,893	$155	947	410	1,935
Northwest	14	$349,093	2,120	$165	505	63	660
Southeast	9	$328,031	1,740	$188	479	211	239
Southwest	18	$318,105	1,876	$170	672	186	865
West	20	$544,946	2,440	$223	288	117	584
Total/Average	133	$387,847	1,931	$201	3,957	2,293	4,778

Capitol Market Research, March 2018 metrostudy_4q2017

Data from MetroStudy 4Q 2017 Summary for active condominiums, townhomes, and single family condominium regimes in the Austin area

Austin MSA Condominium Demand Forecast

The condominium demand forecast was also derived for the Austin MSA using the household forecast (Table (17)) and owner households in the MSA according to the US 2010 Census (58.5%). Condo, or "attached" housing demand was estimated to be 10.32% of owner demand, based on the proportion of total MLS sales attributable to all "attached" housing in the Austin MSA in the past 10 years, and will average approximately 1,379 units a year from 2018 through 2040. It is quite likely that this demand will increase as the demand for condominium/attached housing development grows and becomes a more accepted product type in and around the Austin area.

Table (24)

Condominium/Attached Housing Demand

Austin-Round Rock MSA

Year	New Households	Percent Owner	New Owner Households	Condominium Demand
2018	19,512	58.5%	11,412	1,178
2019	19,707	58.5%	11,527	1,190
2020	19,990	58.5%	11,692	1,207
2021	19,980	58.5%	11,686	1,206
2022	20,209	58.5%	11,820	1,220
2023	20,385	58.5%	11,923	1,230
2024	20,669	58.5%	12,089	1,248
2025	20,976	58.5%	12,269	1,266
2026	21,170	58.5%	12,382	1,278
2027	21,495	58.5%	12,572	1,297
2028	21,934	58.5%	12,829	1,324
2029	22,201	58.5%	12,985	1,340
2030	22,658	58.5%	13,252	1,368
2031	23,011	58.5%	13,459	1,389
2023	23,542	58.5%	13,769	1,421
2033	24,048	58.5%	14,066	1,452
2034	24,469	58.5%	14,312	1,477
2035	25,091	58.5%	14,676	1,515
2036	25,590	58.5%	14,967	1,545
2037	26,239	58.5%	15,347	1,584
2038	26,866	58.5%	15,714	1,622
2039	27,514	58.5%	16,093	1,661
2040	28,117	58.5%	16,446	1,697

Source: New Households from Table (17) *emp_gro_2018.xls*
Percent Owner (58.5%) based on US Census 2010
Conominium demand based on % of MLS sales in the Austin MSA over the past 10 years (10.32%)

Market Area MLS Attached Housing Sales

Within the Downtown Austin market area, the MLS sales data (including new and resale listings) shows an upward trend over the last decade as overall demand for housing in Austin has increased. MLS sales of townhomes, condos, and duplexes in the market area peaked at 465 in 2013 and finished 2014 with 371 sales. Recently, the pace of sales has been relatively stable, averaging 371 sales from 2014 through the end of 2017. The first two months of 2018 has already seen 51 attached housing sales in the market area. From 2005 through the first two months of 2018, attached housing sales have made up 83.2% of all single family MLS sales in the market area, although this percentage has continued to rise from 72.6% in 2005 to a current (2018) percentage of 94.4%.

Average unit prices increased between 2005 and 2007, when it reached $326,299, or $287 per square foot. While total sales and prices fell in 2008 and then again in 2009, as the housing market recovered, prices began to rise at an average of 10.93% per year from 2010 through 2013. Since then, the trend for higher unit prices has continued, rising between 2013 and 2014 at a rate of 14.58%, closing 2014 with an average price of $519,659. In 2015, the average sales price continued to climb, reaching $534,924, or $495 per square foot. Through the end of 2016, the average sales price declined slightly to $516,707 ($485 per square foot), and then jumped 20.3% in 2017 to reach $621,344. In the first two months of 20178, the 51 attached housing sales have averaged a sales price of $648,262.

The average unit size fell from 1,258 square feet in 2005 to 1,050 square feet in 2008, as newer construction tended toward higher density. The average attached housing size has stayed relatively consistent from 2008 through the first two months of 2018, averaging 1,108 square feet. ***It should be noted that some of the new, larger, more expensive condominium and townhomes projects have on-site sales personnel and do not list all of their units on the ABOR MLS system.***

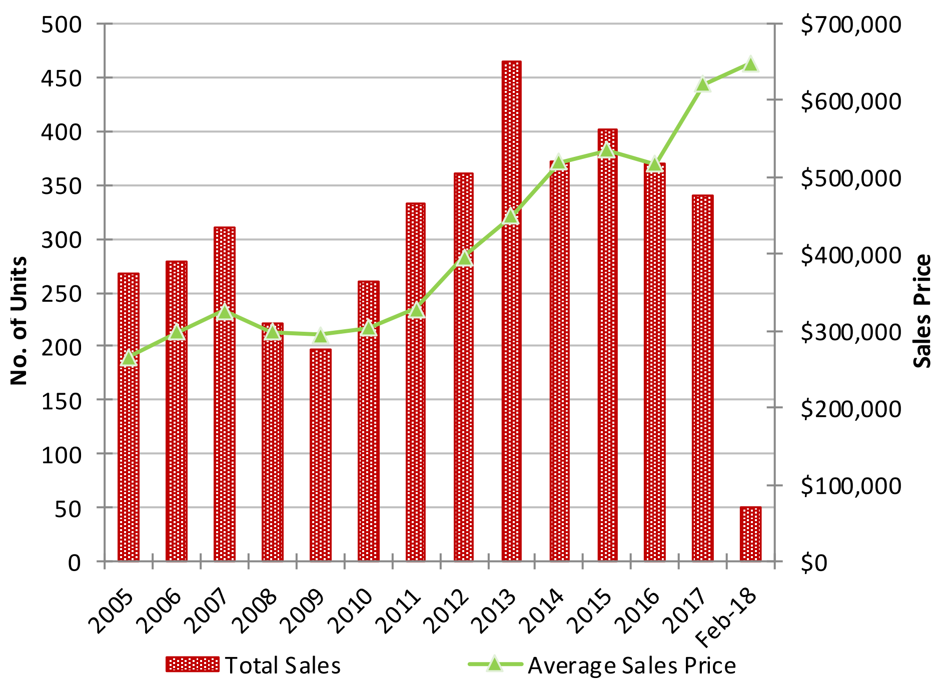
Table (25)

Attached Housing Sales

Downtown Austin

Year	Total Sales	Average Sales Price	Average Sq.Ft.	Average $/Sq.Ft.	Average DOM
2005	267	$266,628	1,258	$212	66
2006	279	$299,079	1,201	$249	52
2007	311	$326,299	1,136	$287	58
2008	222	$299,247	1,050	$285	82
2009	197	$295,043	1,054	$280	83
2010	260	$304,237	1,114	$273	95
2011	333	$328,851	1,097	$300	85
2012	360	$395,866	1,172	$338	64
2013	465	$449,243	1,142	$393	42
2014	371	$519,659	1,133	$459	40
2015	401	$534,924	1,081	$495	44
2016	370	$516,707	1,066	$485	55
2017	341	$621,344	1,164	$534	69
Feb-18	51	$648,262	1,110	$584	58

Source: Austin Board of Realtors, MLS Database; Census Tracts condo_sum.xls
Prepared by Capitol Market Research, March 2018
MLS Search Conditions: Condo, Townhome and Duplex in Census defined market area



Market Area New Attached Housing Market Trends

Overview

In March 2018, Capitol Market Research surveyed 14 completed and five under construction condominium projects that are currently taking contracts for purchase in the Downtown Austin market area. Taken together, these projects contain a total of 2,111 completed units and 968 units under construction (or planned). Among the 14 completed projects, two are considered currently "active", with units available for purchase from the developer, the other 12 projects are "sold out". As of March 1, 2018, 2,091 of the total 2,111 units in the completed and active projects are currently under contract or sold. The weighted average unit price among these 14 projects is $611,284 for 1,257 sq. ft. which equates to $486 per square foot. The absorption rate among these projects varies, with an average rate of 6.22 units a month. The 360 Condominiums achieved a rate of 10.85 sales per month when it opened, followed by The Milago (8.78 per month), and Seaholm Residences, also with sales of 8.78 units per month.[3]

Completed Projects

Twelve of the eighteen surveyed projects are considered completed, and "sold out", with the developer having sold all of the units in their project. These projects, listed in Table (26), were completed between 2005 and 2016, and range in size from 25 units to 430 units. These projects range in average price (original sales price) from $245,730 in the 904 West project to $1,313,000 in the Four Seasons Residences, and in average unit size from 690 square feet at 904 West to 2,063 square feet at the Four Seasons Residences. The average price for the twelve completed and "sold out" projects is $559,525 for a 1,209 square foot unit ($477 per square foot).

Active Projects

The only two "active" projects in the market area, where the developer is still selling units, are The Austonian, which has delivered all of the planned units, and the recently completed 1010 W. 10th Street. The Austonian project is new construction (not a conversion), and approximately 92.5% of the 173 total units have been sold. The average original asking price for this project is $1,150,820 for an 1,839 square foot unit ($626 per square foot). The thirteen units remaining are unfinished "shell" space with few interior walls, which allows the buyer to design and finish out the unit to their specifications. The other "active" project is 1010 W. 10th Street, a smaller, 14 unit condominium flat building that has sold 50% of their units, at an average price of $1,057,350, or $530 per square foot.

Projects Under Construction

There are five projects currently under construction which are considered to be competitive with the subject property. These projects are considered to be "competitive" with the subject, because of their location in the subject market area with units for sale by the original developer/owner. The 968 units among these five projects currently include 616 units under contract with an non-refundable earnest money deposit. The Austin Proper has the highest average sales price at $877 per square foot, while The Tyndall has the lowest at $532 per square foot. It should be noted that although The Tyndall is just east

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[3] Absorption in completed projects is based on recorded deed records, from the time the project began accepting pre-sale reservations to the date of last recorded sale.

of the defined market area, it was include in the survey. All five properties together have a current average sales price of $1,045,083, or $747 per square foot.

Absorption Rates

As a general rule, lower priced units will sell faster than higher priced units in a given market area. The average number of units sold per month among the completed projects in the market area was 6.22 units. The highest rate of absorption among completed project was at the 360 Condominiums (10.85 units per month), followed by The Milago (8.78 units/month), and Seaholm Residences (8.78 units per month). In this market, it appears that the "perceived value" of the product and price per square foot, along with location, all have influences on the rate of sales in the projects. The units in larger projects generally sell at a faster pace, possibly due to the presence of an on-site marketing staff, which is especially apparent at The Independent, which has achieved the highest rate of pre-sale contracts (7.97 units per month), due to their extensive marketing and sales campaign.

Table (26)

New Condominium Sales Activity

Downtown Austin

Map No	Project	Address	YOC	Planned Units	Completed Units	Contracts / Sales		Date of Initial Marketing	Sales/ Month	Average Price*	Average Sqft	Price Per Sqft
Completed "Sold Out" Projects												
1	360 Condominiums	360 Nueces Street	*2008*	430	430	430		Feb-06	10.85	$355,322	944	$376
2	5FiftyFive	555 E. 5th Street	*2005*	98	98	98		Oct-04	2.51	$712,286	1,609	$443
3	904 West	904 West Avenue	*2012*	26	26	26		Nov-10	0.75	$245,730	690	$356
4	Celia's Court	908 Nueces	*2017*	32	32	32		Jul-16	7.16	$397,963	1,071	$372
5	Four Seasons Residences	98 San Jacinto Street	*2010*	148	148	148		May-07	2.00	$1,313,000	2,063	$636
6	Park West Residences	1812 West Avenue	*2012*	45	45	45		Mar-12	1.27	$402,455	1,150	$350
7	Pease Place Condos	1603 Enfield Road	*2012*	25	25	25		Jun-12	0.91	$274,845	774	$355
8	Residences at the W	210 Lavaca Street	*2011*	159	159	159		Jan-07	1.66	$1,206,678	1,871	$645
9	Seaholm Residences	222 West Avenue	*2016*	280	280	280		Nov-13	8.78	$550,000	965	$570
10	The Milago	54 Rainey Street	*2006*	240	240	240		Jan-05	8.78	$307,568	1,088	$283
11	The Shore	603 Davis Street	*2008*	192	192	192		Mar-06	4.08	$405,694	1,111	$365
12	The Spring	300 Bowie Street	*2009*	249	249	249		Mar-07	3.27	$473,628	1,094	$433
		Total/Averages		**1,924**	**1,924**	**1,924**			**6.22**	**$559,525**	**1,199**	**$467**

Map No	Project	Address	YOC	Planned Units	Completed Units	Contracts / Sales	% Occ	Date of Initial Marketing	Sales/ Month	Average Price*	Average Sqft	Price Per Sqft
Active Projects												
13	The Austonian	200 Congress Avenue	*2010*	173	173	160	92.5%	May-07	1.23	$1,150,820	1,839	$626
14	1010 West 10th St.	1010 West 10th St.	*2018*	14	14	7	50.0%	Aug-16	0.39	$1,057,350	1,995	$530
		Total/Averages		**187**	**187**	**167**	**89.3%**		**1.14**	**$1,064,662**	**1,701**	**$626**

Map No	Project	Address	YOC	No. Units Planned	No. Units Complete	Presales / Reservations	% Presold	Date of Initial Marketing	Presales/ Month	Average Price*	Average Sqft	Price Per Sqft
Under Construction Projects with "Pre-Sale Reservations or Contracts"												
15	5th & West Residences	501 West Avenue	*2018*	154	0	99	64.3%	Oct-14	2.41	$1,315,000	1,755	$749
16	70 Rainey	70 Rainey Street	*2018*	164	0	90	54.9%	Oct-15	3.15	$1,126,108	1,423	$791
17	Austin Proper (1)	202 Nueces	*2018*	98	0	60	61.2%	Nov-15	2.14	$1,738,214	1,982	$877
18	The Independent	301 West Avenue	*2019*	370	0	279	75.4%	Apr-15	7.97	$978,000	1,304	$750
19	The Tyndall (2)	800 Embassy	*2018*	182	0	88	48.4%	Oct-16	5.19	$506,834	952	$532
		Total/Averages		**968**	**0**	**616**	**63.64%**		**5.16**	**$1,045,083**	**1,398**	**$747**

Capitol Market Research, April 2018

Condo Summary_dt.xls

Note: Data from Developers, Real Estate Agents, City of Austin Permits, Travis Central Appraisal Deed Records

** Average Price represents original sales pricing*

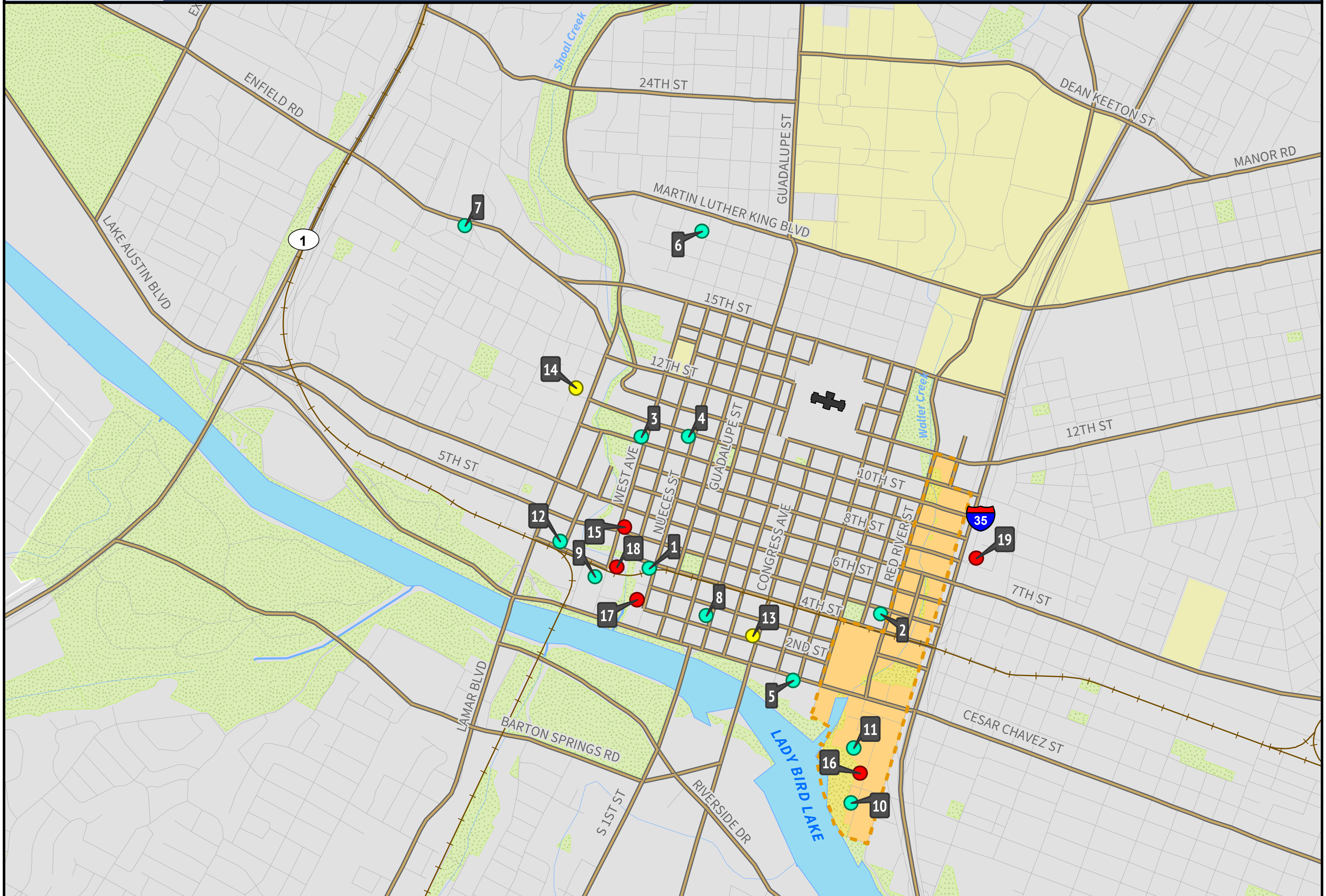
(1) Austin Proper contracts is an estimate based on information from credible sources, but not the developer

(2) The Tyndall is just east of the defined market area, but included in the survey

CAPITOL MARKET RESEARCH

Figure (7)

Downtown Austin: *New Condominiums*



Date: April 2018
Path: C:\GIS\Projects\2018\WallerCreek\new_condo.mxd

Market Area New Attached Housing Unit Sales

While it is very important to assess the market strength by evaluating the number of units currently under contract, it is also instructive to analyze the actual "recorded" closings that have occurred in the subject market area. Between January 2004 and March 29, 2018, there have been 2,320 new condominium units sold and closed in completed projects in Downtown Austin. Based on the closing data, the average monthly absorption over this nearly 15 year period (170 months) is 13.46 units. The highest rate of absorption was achieved in 2006 when 445 units were closed (37.08 units per month, on average). Currently there are 19 units remaining in inventory in two completed projects, which would be approximately over one month of supply based on the historical absorption rate of 13.46 units per month.

Table (27)

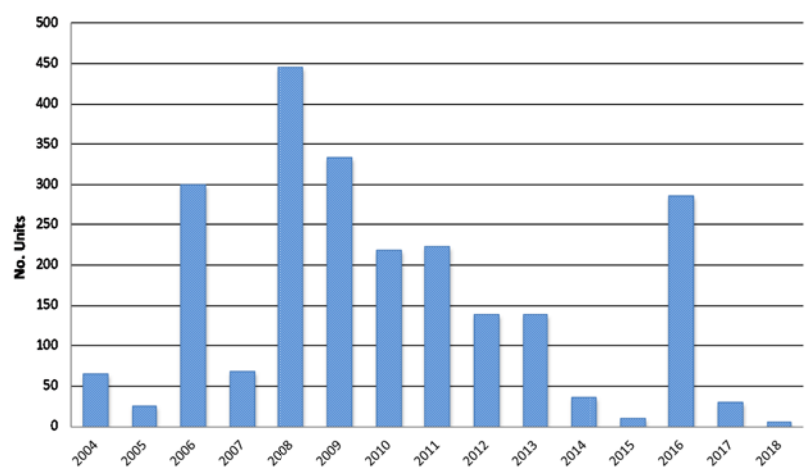
New Condominium Original Developer Sales: Based on Recorded Deed Transfer

Downtown Austin

Project	YOC	Total Units	Date of First Closing	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Remaining Inventory
1306 West Avenue	2017	13	Oct-17	...	...	...	...	...	...	...	...	...	...	...	...	...	2	3	8
360 Condominiums	2008	430	May-08	...	...	...	...	281	149	...	...	...	...	...	...	...	...	...	0
5FiftyFive	2005	98	Dec-04	...	11	75	12	...	...	...	...	...	...	...	...	...	...	...	0
904 West	2012	26	Nov-10	...	...	...	...	...	...	4	15	3	4	...	...	...	...	...	0
Austin City Lofts	2004	82	Jan-04	65	14	3	...	...	...	...	...	...	...	...	...	...	...	...	0
Brazos Place	2006	80	Jan-00	...	...	...	35	21	24	...	...	...	...	...	...	...	...	...	0
Celia's Court	2017	24	May-17	...	...	...	...	...	...	...	...	...	...	...	...	...	24	...	0
Four Seasons Residences	2010	148	May-10	...	...	...	...	...	...	53	32	42	21	...	...	...	...	...	0
Park West Residences	2012	45	Sep-12	...	...	...	...	...	...	...	...	9	27	8	1	...	...	...	0
Pease Place Condos	2012	25	Dec-12	...	...	...	...	...	...	...	...	1	22	2	...	...	...	...	0
Residences at the W	2011	159	Dec-11	...	...	...	...	...	...	...	78	39	33	8	1	...	...	...	0
Sabine on Fifth	2007	80	Dec-07	...	...	...	2	34	...	41	3	...	...	...	...	...	...	...	0
Seaholm Residences	2016	280	Mar-16	...	...	...	...	...	...	...	...	...	...	...	...	280	...	...	0
The Austonian	2010	168	Mar-10	...	...	...	...	...	...	40	27	31	21	18	8	6	4	2	11
The Milago	2006	240	Jun-06	...	...	221	19	...	...	...	...	...	...	...	...	...	...	...	0
The Shore	2008	192	Apr-08	...	...	...	...	109	74	9	...	...	...	...	...	...	...	...	0
The Spring	2009	249	Aug-09	...	...	...	...	...	86	71	68	14	10	...	...	...	...	...	0
		Annual Totals		65	25	299	68	445	333	218	223	139	138	36	10	286	30	5	19

Prepared by Capitol Market Research, March 2018
Note: Not all closings have not been recorded in TCAD for Seaholm. Project is 100% sold.

condo sales by year.xls



Market Area Condominium Demand

The downtown Austin market area has been very attractive to potential home buyers who are seeking an urban lifestyle in an active, walkable and diverse environment. The “lock and leave” aspect of condominium ownership appeals to a diverse clientele of wealthy young professionals, downsizing empty nesters, and second home buyers. Notwithstanding the appeal to out-of-town buyers, the condominium demand forecast was derived for the Downtown Austin market area, using the household forecast (Table (17)) for the market area and the growth in owner households in the market area from 2000 through 2010 (US Census). CMR also analyzed all new building permits issued in the market area according to building type (attached vs. detached), and established that virtually all new housing being built in the Downtown Austin market area is “attached” housing. Using “attached” housing as a synonym for condominium and townhome units in an urban context, and assuming that future development will be similar to the recent past, the Downtown Austin market area demand forecast yields an average annual demand of 418 condominium units from 2018 through 2040, shown on Table (28) on the following page.

In addition to a “calculated” demand estimate for the market area, there are other demand drivers that influence the area that are more difficult to translate into hard numbers. A study done in 2008 by Capitol Market Research for the owners of four new condominium projects downtown identified a “buyer profile”, based on actual buyer demographics, which indicated that there are several types of buyers other than those who are moving their primary residences into downtown. The CMR study showed that “primary residence” was only listed by the new condominium buyers 68.4% of the time. Among the remaining buyers, 17.7% were buying a downtown condominium as a second residence, and 13.6% were buying a unit as an investment property. More recent conversations with sales teams at several condominium projects under construction highlight this issue, and the number of units under contract exceeds the “calculated” demand. As a result of these factors, it seems quite likely that the number of buyers will exceed the number of new households that are forecasted to become downtown residents.